

Minutes for January 31, 1956

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x <u>[Signature]</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	x <u>[Signature]</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	_____	x <u>[Signature]</u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 31, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Vardaman  
 Mr. Mills  
 Mr. Robertson

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Chase, Assistant General Counsel  
 Mr. Shay, Assistant General Counsel  
 Mr. Noyes, Adviser, Division of Research and Statistics  
 Mr. Koch, Assistant Director, Division of Research and Statistics

The following matters, which had been circulated to the members of the Board, were presented for consideration and the action taken in each instance was as stated:

Memorandum dated January 19, 1956, from Mr. Marget, Director, Division of International Finance, recommending that the basic annual salary of Stephen H. Axilrod, Economist in that Division, be increased from \$6,605 to \$7,570, effective February 12, 1956.

Approved unanimously.

Memorandum dated January 19, 1956, from Mr. Young, Director, Division of Research and Statistics, recommending that the basic annual salary

1/31/56

-2-

of Edward A. Manookian, Economist in that Division, be increased from \$5,065 to \$5,440, effective February 12, 1956.

Approved unanimously.

Memorandum dated January 20, 1956, from Mr. Sloan, Director, Division of Examinations, recommending the transfer of Elizabeth P. Vanni from the position of Clerk-Stenographer in the Division of International Finance to the position of Stenographer in the Division of Examinations, without change in her present basic salary at the rate of \$3,500 per annum, effective January 30, 1956.

Approved unanimously.

Memorandum from Governor Vardaman dated January 18, 1956, recommending that the resignation of Doris A. White, Clerk-Stenographer in the Board Members' Offices, be accepted, effective January 19, 1956.

Approved unanimously.

Memorandum dated January 24, 1956, from Mr. Marget, Director, Division of International Finance, recommending that the resignation of Marjorie Kidd, Clerk-Stenographer in that Division, be accepted, effective February 11, 1956.

Approved unanimously.

Letter to Mr. Waage, Secretary, Federal Reserve Bank of New York, reading as follows:

Thank you for your letter of January 12, 1956, advising that Horace L. Sanford, Assistant Vice President, John J. Clarke, Assistant General Counsel, and Miroslav Kriz, Chief, Foreign Research Division, Research Department, have been granted leaves of absence with pay to enable them to accept invitations to lecture at the Center for Latin American Monetary Studies in Mexico City during the period June - July 1956. It is noted that these leaves, which would commence on June 11 for Mr. Sanford, June 25 for Mr. Clarke, and on July 23 for Mr. Kriz, would involve stays in Mexico City of approximately two weeks for Messrs. Sanford and Clarke and one week for Mr. Kriz, with an additional allowance for traveling time. The Board of Governors interposes no objection to the arrangements with respect to Messrs. Sanford, Clarke, and Kriz as described in your letter.

Approved unanimously.

1/31/56

-3-

Letter to Mr. Virden, Chairman, Federal Reserve Bank of Cleveland, reading as follows:

The Board of Governors approves the appointments of Messrs. Sam W. Emerson, Herbert P. Ladds, John P. McWilliams, and Arthur W. Steudel as members of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for terms of one year each beginning March 1, 1956, in accordance with the action taken by the Board of Directors as reported in your letter of January 18, 1956.

Approved unanimously.

Letter to Mr. Patterson, Secretary, Federal Reserve Bank of Atlanta, reading as follows:

The Board of Governors approves the appointments of Messrs. Shannon M. Gamble, I. C. Milner, George Winship, and Luther H. Randall as members of the Industrial Advisory Committee for the Sixth Federal Reserve District to serve for terms of one year each beginning March 1, 1956, in accordance with the action taken by the Board of Directors as reported in your telegram of January 16, 1956.

Approved unanimously.

Letter to Mr. McConnell, Secretary, Federal Reserve Bank of Minneapolis, reading as follows:

The Board of Governors approves the appointments of Messrs. Sheldon V. Wood, John M. Bush, A. B. Heian, Walter M. Ringer, Sr., and A. H. Daggett as members of the Industrial Advisory Committee for the Ninth Federal Reserve District to serve for terms of one year each beginning March 1, 1956, in accordance with the action taken by the Board of Directors as reported in your letter of January 12, 1956.

Approved unanimously.

Letter to Mr. Woolley, Secretary pro tem, Federal Reserve Bank of Kansas City, reading as follows:

The Board of Governors approves the appointments of Messrs. Mason L. Thompson, Thomas McNally, Harold F. Silver,



1/31/56

-4-

Albert R. Waters, and William N. Deramus as members of the Industrial Advisory Committee for the Tenth Federal Reserve District to serve for terms of one year each beginning March 1, 1956, in accordance with the action taken by the Board of Directors as reported in your letter of January 13, 1956.

Approved unanimously.

Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of January 17, 1956, and enclosures, submitting the request of The State Trust Company, Plainfield, New Jersey, for permission to retire \$5,000 par value preferred stock on February 1, 1956, and to retire a like amount each six months from that date until the preferred stock (\$70,000 now outstanding) is retired in full.

From the information submitted, it is noted that the capital position of the trust company was strengthened on October 17, 1955, by the sale of \$150,000 of new common stock for \$300,000 and that the capital now appears adequate in relation to the volume and character of its assets. Moreover, the future earnings of the trust company should be sufficient to permit it to make the requested retirements and to add substantial amounts to its capital account.

After consideration of the information submitted, the Board of Governors concurs in your recommendation and gives its prior consent to the retirement on February 1, 1956, of \$5,000 preferred stock by the trust company and to the retirement of \$5,000 of such stock each six months from February 1, 1956, until the preferred stock is retired in full, with the understanding that the Board of Governors may cancel this consent if in its opinion the volume and character of the trust company's assets as of any future retirement date would not warrant the reduction of capital. In this connection, you are requested to inform the Board if at any time the capital position of the trust company is such that, in your opinion, termination or suspension of the Board's consent may be advisable.

1/31/56

-5-

It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in effecting each retirement.

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, prepared pursuant to the understanding at the meeting on January 9, 1956, reading as follows:

In a recent interpretation of Regulation U, the Board considered the status of loans which would be made by a bank as one of four trustees of an employee retirement trust. There were three individual trustees, and the bank was corporate trustee. The loans would be made pursuant to authorization to be contained in a proposed amendment to the trust instrument to enable employees to participate in a stock purchase plan. The Board expressed the opinion that since one of the trustees making the loans was a bank, the loans would be subject to Regulation U. A copy of the interpretation, dated December 9, 1955, is enclosed. It will be noted that the December 9 interpretation applied the view expressed in the Board's earlier interpretation published at 1946 Federal Reserve Bulletin 874.

The bank now has advised of its removal as corporate trustee following adoption of the proposed amendment authorizing the loans, and has requested that the Board reconsider its December 9 interpretation. Specifically, the bank has asked that Regulation U and the Board's 1946 interpretation be construed not to apply in situations such as that outlined in the December 9 case.

The bank's request for reconsideration is based primarily on the lack of discretion in the corporate trustee with respect to the loans in question, although as you will note from the enclosure the bank as corporate trustee had discretion with respect to other matters under the trust. The bank also asserts that the only effect of the Board's interpretation was to require removal of the bank as corporate trustee, since, under the trust instrument, the three individual trustees may make other arrangements for going forward with the loans that will not give rise to any question under Regulation U in its present form.

1/31/56

-6-

The Board recognized that in a reconsideration of the matter various alternative courses of action are possible. Thus, the Board might reverse the December 9 interpretation and modify the 1946 interpretation to exclude a loan by a bank as trustee where the bank has no discretion whether or not to make the loan. On the other hand, the full sweep of the 1946 interpretation and its applicability to the December 9 case might be reaffirmed, or the 1946 interpretation might be reversed entirely. Of course, any modification or reversal of the 1946 interpretation would effect a narrowing of the coverage of the regulation.

It is desirable, of course, to avoid unnecessary burdens upon the operations of banks. However, the purpose of Regulation T and Regulation U is to protect the general economy rather than the particular lender, and so long as the coverage of Regulation U is limited to banks, some difference between the treatment of banks and of other lenders is inevitable.

In the circumstances the Board believes that it would be helpful to have the views of the Federal Reserve Banks on the various alternatives mentioned above. In this connection also any comments that you care to make on the question whether the coverage of the regulation should be extended to lenders not now subject would be welcomed. The Board recognizes that the question whether the coverage of the regulation should be extended to certain lenders was recently considered by the Federal Reserve Banks in response to the Board's letters of August 26 and September 30, 1955, and the replies of the Reserve Banks to those letters seem to indicate that none was in favor of covering additional lenders under the regulation at this time.

The Board's interpretation published at 1946 Federal Reserve Bulletin 874 expressed the view, without any qualification, that Regulation U applied to the activities of a bank when it is acting in its capacity as a trustee. For your information, that case involved an inter vivos trust which required that all reinvestments of trust funds be made only upon the approval of the settlor; and the trustee bank had obtained such necessary approval for the stock market loans that gave rise to the question of the application of the regulation. Since the bank as trustee did not have free discretion



1/31/56

-7-

with respect to the loans, the facts of the 1946 case bear some resemblance to the situation involved in the Board's letter of December 9.

The Board will appreciate receipt of your views and comments on the matters specifically mentioned above, and any other comments that you wish to make on the subject.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

Reference is made to a letter from your office dated January 9, 1956, advising that the Harlingen State Bank, Harlingen, Texas, desires to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

This bank has been a member of the Federal Reserve System since it was organized in 1945. Information in the files of the Board and that supplied by the Federal Reserve Bank of Dallas is favorable with respect to the bank's financial history, adequacy of capital structure, earnings prospects, character of management and service to the community. Therefore, the Board of Governors recommends approval of the application.

For your information, the bank recently completed a drive-in banking facility located across an alleyway from its main office, and it has been approved as a branch by the Board of Governors.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Approved unanimously. In this connection unanimous approval also was given to the following letter to the Board of Directors, Harlingen State Bank, Harlingen, Texas, for transmittal through the Federal Reserve Bank of Dallas:



1/31/56

-8-

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors approves the establishment of the branch across the alley from the main banking quarters by Harlingen State Bank, Harlingen, Texas.

With reference to the aforementioned acceptance of the resignation of Miss Kidd as Clerk-Stenographer in the Division of International Finance to accept a position with the Department of the Navy, there was agreement with a suggestion by Governor Robertson that the Division of Personnel Administration study the salary group allocation of secretarial and stenographic positions in other Government agencies for the purpose of assuring that the salaries paid to employees of the Board in these categories are kept in line with salaries paid by other agencies for positions having comparable responsibilities.

Reference was made to a memorandum dated January 18, 1956, from the Division of Personnel Administration, which had been circulated to the members of the Board, recommending approval, effective February 12, 1956, of an attached revised schedule for the classification and compensation of certain lithographic positions in the Duplicating and Mail Section of the Division of Administrative Services. The memorandum stated that in November 1955 the Interdepartmental Lithographic Wage Board conducted a regular survey of the wage rates paid to employees in the lithographic trades by commercial houses in the Washington area, that as a result of the survey the Wage Board recommended a new pay schedule, that, according to the Chairman of the Wage Board, Government agencies

1/31/56

-9-

representing approximately 95 per cent of the positions under the Wage Board had put this new schedule into effect, and that adoption by the Board of Governors of the new schedule would be in line with procedures followed beginning in 1953. The memorandum also recommended that effective February 12, 1956, the salary rates of the following employees be increased in the amounts indicated to conform to the new printing grade schedule:

<u>Name and title</u>	<u>Annual salary rate</u>	
	<u>From</u>	<u>To</u>
T. Vincent Kopfman, Clerk (Composition)	\$5,096	\$5,304
Joseph W. Wright, Photographer (Offset)	5,345	5,574
Ralph A. Sherrod, Photographer (Offset)	3,515	3,723
Claiborne Johnson, Operator (Offset Press)	4,306	4,514
Benjamin D. Berry, Foreman Operator (Mimeograph)	3,682	3,910
Bricen Barnes, Operator (Mimeograph)	3,474	3,682
Herbert W. Bundy, Operator (Duplicating Devices)	3,600	3,682
Levernon Wood, Operator (Duplicating Devices)	3,307	3,515
Daniel F. Lane, Operator (Mimeograph)	3,286	3,494
Edward L. Hargett, Operator (Mimeograph)	3,286	3,494

Following a discussion of the problems of personnel administration involved in adherence to a pay schedule of this kind for a particular category of Board employees, during which it was brought out that alternative procedures did not appear to be

1/31/56

-10-

feasible, the recommendations contained in the memorandum from the Division of Personnel Administration were approved unanimously.

Consideration then was given to a draft of letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, which had been circulated to the members of the Board, concerning the question whether section 32 of the Banking Act of 1933 would prohibit the service of Mr. Joseph E. Morris, Vice President of The First National City Bank of New York and Vice President of City Bank Farmers Trust Company, also of New York, as a member of the board of trustees of Elfund Trusts, an employees' trust in the form of an open-end investment company, interest in which is limited to certain employees of the General Electric Company and its affiliated companies, members of their immediate families, and certain profit-sharing and pension trusts created by General Electric. The draft would state that since Elfund Trusts appeared to have been created and operated as a service or accommodation for certain employees, since the shares are available only to a limited group of participants, and since the officers and managers are not financially interested in promoting the sale of its shares, the conflict of interests at which section 32 is directed would not appear to be present. Accordingly, the letter would express the view that Elfund Trusts is not "primarily engaged" in the sale of its shares and that section 32 is not applicable to the service of Mr. Morris as one of its trustees and as an officer of a member bank.

1/31/56

-11-

Following a statement by Mr. Chase explaining the organization and operations of Elfun Trusts, there was a discussion concerning the objectives of section 32 of the Banking Act of 1933, the standards which should be applied by the Board in making interpretations regarding the applicability of that section to various individual situations, and the views expressed by the Board in the past concerning somewhat similar cases.

During the discussion, Mr. Vest referred to two cases previously considered by the Board which involved organizations that were in form open-end investment companies but which were of such a specialized nature that apparently they were not "primarily engaged" in selling their shares. These were the Institutional Investors Mutual Fund, the stock of which could be owned only by mutual savings banks in New York, and Bank Fiduciary Fund, which was created as a medium for the common investment of trust funds held by trust companies and banks in New York acting in fiduciary capacities, ownership of its shares being restricted to such fiduciaries in their capacities as such. In the light of the position taken by the Board in these two cases, he felt that it would be difficult, on the basis of the facts of this case, to make a distinction which would justify taking a position other than that stated in the draft of letter to Mr. Wiltse. With respect to cases which might come before the Board in the future, he suggested that it would be necessary to examine carefully the facts as presented, not only with regard to the number of investors but from the standpoint of loading charges, profit motives, and other pertinent factors.



1/31/56

-12-

Governor Robertson then requested an opportunity to review the file further. Accordingly, it was agreed to defer action on the matter pending additional consideration at another meeting of the Board.

Messrs. Chase and Shay then withdrew from the meeting.

The following draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, which had been circulated to the members of the Board, was presented for consideration:

This is in response to your letter of January 16, 1956 to the Chairman of the Board of Governors requesting the Board's views on the draft bill cited as "Housing Amendments of 1956". The Board has no comments to offer on the bill except for one provision.

Section 202 would amend provisions of the present law requiring sellers of mortgages to the Federal National Mortgage Association on a secondary market transaction basis to purchase simultaneously stock in the Association equal to a minimum of three per cent of such sales. The amendment would authorize the Association to fix this percentage at no less than one per cent and no more than two per cent. The Board recently had occasion to comment on a similar proposal in a letter to the Chairman of the Council of Economic Advisers. In that letter the Board stated:

"We see no reason to amend the provisions requiring sellers of mortgages to the Federal National Mortgage Association on a secondary market transaction basis to purchase simultaneously stock in the Association equal to 3 per cent of such sales. The existing provision appears to us to have worked admirably during the past year, a period in which the ability of the Association to provide a backstop to the secondary mortgage market has undergone as severe a test as it is likely to face.

"As you know, the year opened with exceptionally heavy over-commitments to make mortgage loans, over-commitments that led to heavy warehousing of mortgages

1/31/56

-13-

with commercial banks and to heavy borrowing from the Home Loan Banks by Savings and Loan Associations. When the steps essential to correct these movements were taken, a situation of strong pressure developed on the secondary mortgage market, which now happily appears to be clearing up.

"The operations of the Federal National Mortgage Association during this period of pressure were constructive in that they acted as an effective backstop that prevented the pressure from creating a serious financial crisis. At the same time, FNMA operations have not been so large as to prevent adjustments that were essential if further serious inflationary pressures were to be avoided. A reduction in the minimum amount of required buying of stock in the Federal National Mortgage Association could have had only one effect during this period, i.e., to increase the purchases of the Association and delay the actual adjustments that were made. Surely this would have served no public purpose."

Approved unanimously.

There had been sent to the members of the Board copies of a memorandum submitted by Mr. Young to Governor Balderston under date of January 27, 1956, concerning the processing of the business loan survey. After stating that a cost of \$8,400 had been incurred to date in connection with Univac processing of the results of the survey (about \$900 more than the \$7,500 originally authorized by the Board), the memorandum discussed the work completed thus far, factors accounting for the higher level of processing costs than envisaged by the original estimates, reasons for delays in processing, and the work remaining to be undertaken. It recommended that the Division of Research and Statistics be authorized

1/31/56

-14-

to expend an additional \$8,500 (including the \$900 already committed) to complete the first set of tabulations, with the understanding that when these tabulations were completed the Division would report to the Board the estimated cost for bringing the project to a conclusion under various alternative assumptions concerning the amount of detail that would be obtained.

At the request of the Board Mr. Young amplified the statements contained in the memorandum and brought out that even with the difficulties that had been encountered it appeared quite possible that the total cost of processing would be substantially less than the System would have incurred under alternative methods.

At the conclusion of a discussion based on Mr. Young's comments, the recommendation contained in his memorandum to Governor Balderston was approved unanimously.

Messrs. Thomas, Johnson, Noyes, and Koch then withdrew and Messrs. Sloan, Director, Division of Examinations, and Solomon and Hexter, Assistant General Counsel, entered the room.

Governor Robertson stated that yesterday Mr. Hodge, General Counsel of the Federal Reserve Bank of Chicago, called Mr. Vest and told him that he had received a telephone call from Mr. Maurice C. Eveland, Commissioner of Banking for Michigan, who said that a suit had been filed in Ingham County Circuit Court seeking to compel him to issue a charter

1/31/56

-15-

to a proposed bank in Detroit to be known as "Public Bank". (The organizers of the proposed bank submitted an application for membership in the Federal Reserve System but later withdrew that application when advised informally that the Board would not be inclined to approve it.) Mr. Eveland told Mr. Hodge, Governor Robertson said, that in order to clarify a question which he expected to arise in the suit with respect to the procedure of the Board of Governors, he would like the Board to have its Secretary execute and furnish him an affidavit concerning the Board's procedure in acting upon applications for System membership submitted on behalf of State banks that are in process of organization. Governor Robertson said he understood the proponents of the bank were contending in the lawsuit that the State Banking Commissioner was in error in taking the position that he would not charter a bank until after receiving assurances that, if chartered, the bank would obtain deposit insurance, either through membership in the Federal Deposit Insurance Corporation or by virtue of membership in the Federal Reserve System. Accordingly, Mr. Eveland suggested to Mr. Hodge the type of affidavit which he would like to have and reiterated his request in a telephone conversation with Governor Robertson yesterday afternoon. This form of affidavit would refer to the Board's general procedure and also make reference to the current case.

Governor Robertson said he had discussed the matter with Messrs. Vest and Hexter and that he would not be inclined to recommend the issuance



1/31/56

-16-

of an affidavit in the form suggested for various reasons, including the fact that the Board did not take formal action with respect to the application for System membership by the organizers of the proposed bank. He suggested, however, the issuance of an affidavit in a form which would simply set forth the practice of the Board in acting upon applications for membership submitted on behalf of a State bank in process of organization. Governor Robertson then read the language of the affidavit which he recommended.

There ensued a discussion of the practice followed by the Board in acting upon membership applications in such cases, the reasons for and against granting the request for an affidavit, and the facts of the current litigation as they had been reported in the press. The discussion also covered alternative procedures which might be followed with respect to the request, and the suggestion was made that if an affidavit were issued, a copy be sent to the plaintiffs in the pending suit.

At the conclusion of the discussion, Governor Robertson was authorized to call Mr. Eveland and state to him that upon receipt of a written request the Board would be willing to furnish him an affidavit, with a copy to the plaintiffs, setting forth the Board's practice in acting upon applications for membership submitted on behalf of a State bank in process of organization.

Secretary's Note: A telegram having been received from Mr. Eveland (to be

1/31/56

-17-

confirmed by letter) requesting the affidavit, the following letter was sent to him on January 31, 1956, with a duplicate original of the Board's affidavit to John Babcock, Esquire, Penobscot Building, Detroit, Michigan, representing the plaintiffs, and with copies of the affidavit and of the letters to Messrs. Eveland and Babcock to the Federal Reserve Bank of Chicago:

This is in response to your telegram of this date, requesting the Board of Governors to execute and furnish to you an affidavit stating whether the Board acts upon applications for membership in the Federal Reserve System that are submitted on behalf of State banks in process of organization but not yet actually incorporated. It is understood that you wish this affidavit in connection with the pending suit in the Circuit Court of Ingham County with respect to the organization of the proposed Public Bank.

In accordance with your request, there is enclosed an affidavit regarding the Board's practice in this matter. Also enclosed is a copy of the Board's letter to Counsel for the plaintiffs in the pending suit, to whom a duplicate original of the affidavit is being sent.

---

City of Washington,     )  
                                  ) ss.  
District of Columbia )

I S. R. Carpenter, Secretary of the Board of Governors of the Federal Reserve System, being first duly sworn, do depose and say that it is the practice of the Board of Governors of the Federal Reserve System to act upon applications for membership in the Federal Reserve System submitted on behalf of a

1/31/56

-18-

State bank in process of organization, notwithstanding the fact that the State authorities may not have issued a charter to such bank or authorized it to conduct business, but in no case does membership in the Federal Reserve System become effective prior to the incorporation of the bank under State authority.

Executed for and on behalf of the Board of Governors of the Federal Reserve System.

(Signed) S. R. Carpenter

Subscribed and sworn to before me, a notary public in and for Washington, District of Columbia, this 31st day of January, 1956.

(Signed) Harry B. Stone  
My Commission Expires January 31, 1956.

(SEAL)

Messrs. Vest, Sloan, Solomon, and Hexter then withdrew.

Governor Mills referred to the visit to the Board's offices tomorrow by officers of the National and State Bank Divisions of the American Bankers Association and stated that he had received a telephone call from a representative of the Association who indicated that during the meeting with members of the Board the group would like to bring up for

1/31/56

-19-

discussion the position of the Board on (1) bank merger legislation, (2) authority for consumer credit controls, and (3) the recommendation in the President's Economic Report concerning home modernization loans.

It was agreed that although the Board would be glad to discuss these subjects, it would not wish to express at this time any current position with respect to them; and it was understood that Governor Mills would so advise the representative of the American Bankers Association.

There had been sent to the members of the Board copies of a memorandum from Mr. Young dated January 30, 1956, submitting a draft of testimony to be given by Chairman Martin before the Joint Committee on the Economic Report on February 7, 1956. The statements included (a) a draft of main statement based on material prepared for the draft of the Board's Annual Report for 1955, (b) a draft of possible response in the event of questions concerning the recommendation in the President's Economic Report having to do with authority to regulate consumer instalment credit, and (c) a draft of statement which might be used in response to possible questions concerning a recommendation in the Economic Report for amendment of the current statutory provisions requiring sellers of mortgages to the Federal National Mortgage Association to purchase stock in the Association equal to three per cent of such sales.

Several suggestions were made for changes in the draft of main statement, and it was understood that these suggestions, as well as any other suggestions which members of the Board and the staff might send



1/31/56

-20-

direct to Mr. Young, would be taken into consideration in the preparation of a revised draft which would be made available for further consideration by the Board prior to February 7.

The meeting then adjourned.

  
Secretary

Chas. H. H. H.

Gov. H. H. H.

Gov. H. H. H.

Gov. H. H. H.

Gov. H. H. H.

Gov. H. H. H.

Gov. H. H. H.